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For more information contact:
Matthew Mahood, City of Morgan Hill
Mobile: 408-421-0790
matt.mahood@morganhill.ca.gov

MORGAN HILL SHOPPING CENTER DISTRICTS BOUNCE BACK

Downtown District Booming



Morgan Hill, Calif., (February 1, 2022)— The retail and restaurant industries were significantly impacted during the COVID-19 pandemic and resulting shelter-in-place order; however, recent sales tax reports indicate that business recovery is finally underway. Not only have sales tax revenues from shopping centers returned to pre-pandemic levels, in some cases, they are exceeding them. The City's Downtown District is one of the recent success stories.

Historically, the Downtown District has never been able to compete with surrounding shopping center districts in sales tax generation. However, a recent HdL Sales Tax Report shows that Downtown Morgan Hill is not only growing but surpassing pre-pandemic numbers. Further, the most recent quarterly data shows that the Downtown is now competitive with other shopping centers, even outperforming some of the larger anchor-based Districts. For all four quarters of 2019, the Downtown District never ranked among the top five Shopping Center Districts. Then, the pandemic peaked in 2020, significantly restricting and even temporarily closing restaurants and retail shops, whose industries make up 49 percent of businesses in the Downtown Corridor. However, in the 1st quarter of 2021, the Downtown District yielded the highest sales tax it has generated since 2019, and 2nd quarter 2021 numbers surpassed any amount of sales tax ever generated by the Downtown District.

Sales tax is the second largest contributor to the General Fund, second to property tax which contributes 32 percent and exceeding Transient Occupancy Tax (TOT), which contributes 4 percent. Sales tax generation from citywide restaurants, retailers, and businesses accounts for 23 percent of the General Fund Revenues, making it critical to the long-term financial sustainability of the City. The Downtown District alone, currently generates approximately 5 percent or about \$500,000 annually of the overall City's "point of sale." This is an extraordinary finding, considering the lack of big box retailers and grocers in the district and the fact that the Downtown is comprised of small businesses that were hit hardest during the pandemic, including restaurants, retail shops, and personal services.

Downtown business survivability and recovery is in large part due to the City's ability to respond immediately to the pandemic, by providing opportunities for businesses to function outdoors through the Al Fresco Program. The City's quick actions not only supported business retention, but also attracted new investment and the opening of businesses such as Chauchó's, Mo's Breakfast, Alara Cellars, Palmerino's, Giorgio's Italian Grill & Pizzeria and Sushi Confidential. The most creative design for an outdoor dining venue should be awarded to the bottom floor of a paused boutique hotel construction site, that transformed into a thriving restaurant and social scene.

"Sushi Confidential is truly honored and excited to be a part of the Morgan Hill community. Our goal is to help continue to create an exceptional dining experience and add to the thriving group of downtown restaurants," Randy Musterer, Sushi Confidential's founder, said.

"The D'Ambrosio family has always admired Morgan Hill's Downtown as one of the hidden gems in the Bay Area. Many of our long-time customers and supporters have moved to South County, and we look forward to becoming engrained in the community and the downtown," Mike D'Ambrosio, Giorgio's co-owner, said.

"Although the pandemic has effectively halted construction activity, my commitment to the City and residents to build a boutique hotel in Downtown Morgan Hill has never wavered. While I wait for construction to resume, I will continue to devote my entrepreneurial expertise to making Downtown Morgan Hill a destination, an experience, and an entertainment hub," Frank Leal, MOHI Social owner, said.

The Downtown District's renaissance continues with the anticipated advancement of construction on the boutique hotel, a fine art gallery at the current pop-up-park, and a new housing project on depot street. With continued investment and beautification of the Downtown District, alongside a commitment to safety and outdoor activations, we anticipate the increase in sales tax and future private investment to continue into the foreseeable future.

For more information, contact Economic Development Director matt.mahood@morganhill.ca.gov

About Downtown Morgan Hill

The City of Morgan Hill recently built three parks in Downtown and invested \$25 million in public improvement in Downtown Morgan Hill, which included the construction of a 272-space parking garage, undergrounding of utilities, lighting, and public art. This has resulted in over \$100 million of private investment in a wide range of current and upcoming projects that include the restoration of the Granada Theatre and a 60-room boutique hotel and market hall by Live+Love+Léal Hospitality, a three-story fine art gallery and restaurant with a rooftop lounge by Dan McCranie, a 29-unit mixed-use project by City Ventures and a 16-unit mixed-use project by Weston Miles.

About the City of Morgan Hill

Morgan Hill is a 45,566-resident community in Silicon Valley, just 10 miles south of San Jose. The City has an entrepreneurial spirit and thirst for innovation. Morgan Hill currently houses 6.5 million square feet of industrial, research and development, and manufacturing space in three large business parks. With over 17,200 employees, Morgan Hill is home to companies such as Anritsu, Specialized Bicycle Components, Wolfspeed, Shoe Palace, Toray Advanced Composites, Paramit Corporation, Marki Microwave, Golden State Assembly and Sakata Seed America.

For more information, visit www.choosemorganhill.com.

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